

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNIVERSAL CITY STUDIOS, INC.,

Plaintiff,

-against-

NINTENDO CO., LTD. and
NINTENDO OF AMERICA, INC.,

Defendants.

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: 82 Civ. 4259 (RWS)
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: RULE 3(G) STATEMENT
: IN SUPPORT OF
: DEFENDANTS' MOTION FOR
: SUMMARY JUDGMENT
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This statement is submitted pursuant to Local Rule 3(g) in support of the motion of defendants Nintendo Co., Ltd. and Nintendo of America, Inc. ("Nintendo") for summary judgment dismissing the complaint of plaintiff Universal City Studios, Inc. ("Universal"). Nintendo submits that there is no genuine issue to be tried as to the following material facts:

The Parties

1. Nintendo Co., Ltd. is a corporation organized under Japanese law and founded in 1889, having its principal place of business in Kyoto, Japan, and branches in five other Japanese cities. Nintendo Co., Ltd. is engaged in the manufacture, assembly and sale of video arcade games, hand-held video games, playing cards, mah-jong games, tuggle board games and amusement arcade games. Nintendo

Response to Interrogatory 1.

2. Nintendo of America, Inc. is a corporation organized under the laws of the State of Washington, with its principal place of business in Redmond, Washington. Nintendo of America, Inc. is engaged in the importation, assembly, manufacture and sale of video arcade games and table top video games, as well as the importation of hand-held video games. Id.

3. Plaintiff Universal City Studios, Inc. ("Universal") is a corporation organized under the laws of the State of Delaware, having its principal place of business at 100 Universal City Plaza, Los Angeles, California. Complaint ¶ 1. Universal is engaged generally, through its "Universal Pictures" division, in the business of producing and distributing motion pictures for theatrical and other types of exhibitions in the United States and throughout the world; and, through its corporate affiliate, Merchandising Corporation of America, Inc. (hereinafter "MCA"), it is in the business of licensing various Universal trademarks and characters for use by others in connection with the sale of merchandise and service. Complaint ¶ 5.

Original Development of the Donkey Kong Trademark and Game

4. Nintendo Co., Ltd. and Nintendo of America, Inc. have manufactured, distributed, and sold the video arcade game called "Donkey Kong". Nintendo Co., Ltd. and Nintendo of America, Inc. currently license the trademark rights in the name and characters of Donkey Kong to manufacturers for use in connection with various products. Nintendo Responses and Supplemental Responses to Interrogatory 19.

5. The Donkey Kong video arcade game originated and was developed at Nintendo Co., Ltd. beginning in March 1981. M. Dep. 31-33; Y. Dep. 18-20.

6. The original design concept of the game was based around a port scene and the Popeye cartoon characters, Popeye, Bluto, and Popeye's girlfriend Olive Oyl. M. Dep. 31-33, 44; Dep. Ex. M-2; Y. Dep. 18, 24, 30. Because it was determined that it was not technically feasible to present the Popeye characters with sufficient clarity on the video screen, the characters Popeye and Bluto were replaced with "Mario the Carpenter" and a comical gorilla, respectively, and the concept of a port scene was changed to that of a construction site for the game Donkey Kong, but the background graphics remained the same. Y. Dep. 24, 30-31; M. Dep. 38, 79.

7. The name Donkey Kong was selected for the game through an informal process. The word "kong" was adopted because it was readily understandable as denoting a gorilla; the word "donkey" was derived by consulting a Japanese/English dictionary which gave the word "donkey" as a translation for a Japanese word meaning stupid or "goofy." Y. Dep. 31-32, 40; T. Dep. 22-23, 37, 39, 41-42, 52.

8. The object of the Donkey Kong game is for the player to maneuver Mario the Carpenter up an unfinished girdered structure to "save" a girl from the gorilla Donkey Kong, by directing him through controls to strut up ramps, leap over obstacles, climb ladders, jump on moving construction elevators and ride conveyor belts while avoiding cement tubs, foxfires, barrels, and beams rolled down the

girdered structure by Donkey Kong. Mario wins such prizes as telephones, umbrellas, lunch pails and birthday cakes on his way. At the top of the unfinished structure, Donkey Kong struts back and forth and jumps up and down. Palmer Aff. ¶ 10.

9. Nintendo Co., Ltd. conducted a trademark search of the name "Donkey Kong" in Japan, which indicated that the name was available for use, I. Dep. 9; Dep. Ex. I-1, and obtained a Japanese trademark registration for the name Donkey Kong. Lincoln Aff. ¶ 2.

10. In June 1981, Nintendo of America, Inc. conducted a trademark search of the name Donkey Kong in the United States, and obtained an unqualified opinion from trademark counsel that the name Donkey Kong could be registered as a trademark in the United States Patent and Trademark Office. See Lincoln Aff. ¶¶ 3-5; Ex. 2.

11. In October 1981, Nintendo of America, Inc. filed an application of its trademark DONKEY KONG & DESIGN for registration in the United States Patent and Trademark office. Lincoln Aff. ¶ 7; Ex. 3. In January 1983, the Patent and Trademark Office approved Nintendo's application, finding no conflict in the United States Trademark Office Records with Donkey Kong for the class of goods searched, and published the application for opposition as the last step before the registration becomes final. See Lincoln Aff. ¶ 14; Ex. 9.

Nintendo's Marketing of the Donkey Kong Trademark and Game

12. In July 1981, the Donkey Kong game was introduced into the United States market. Nintendo Response to Interrogatory 4.

13. Almost immediately upon its introduction into the United States market, the Donkey Kong game was a major commercial success. y. Dep. 28.

14. Nintendo has received over \$180 million dollars from the sale in the United States and Canada of approximately 60,000 Donkey Kong video arcade games. Nintendo Responses to Interrogatories 16, 17, 28 and 29.

15. Nintendo has licensed its trademark in the name and characters of Donkey Kong to over 50 licensees for use in connection with a large variety of products and has received over \$8.5 million dollars in royalties for such licenses. Nintendo Responses and Supplemental Responses to Interrogatories 30 and 31. Major licensees include Atari Inc., Coleco Industries, Inc., Ruby-Spears Enterprises, Inc. and Ralston Purina Company. Nintendo Responses and Supplemental Responses to Interrogatories 18 and 19.

16. Nintendo has also developed and now markets the video arcade games called "Donkey Kong Junior" and "Mario Brothers," based on the characters made popular in the original Donkey Kong game. In addition, Nintendo has developed and now markets the hand-held video games called "Donkey Kong", "Donkey Kong II," "Donkey Kong Junior" and "Mario Brothers." Nintendo also manufactures and sells tabletop video games, including "Mario's Cement Factory" and "Donkey Kong Junior." Lincoln Aff. ¶ 16.

Nintendo's Efforts and Activities to Protect its Donkey Kong Trademark

17. All Donkey Kong products manufactured by Nintendo are clearly labeled to indicate their source of origin from Nintendo. The exteriors of the cabinetry of all Donkey Kong video arcade games display Nintendo's copyright notice "(c) 1981 Nintendo of America, Inc." and display prominently the name "Donkey Kong(TM)" with the notation "Nintendo(TM)". Prior to insertion of a coin in the game, the video screen continuously and automatically displays an "attract mode" (to attract players to the game), which shows the name "Donkey Kong(TM)" and the copyright notice "(c) 1981 Nintendo of America Inc." All licensed Donkey Kong products are also clearly labeled to indicate their source of origin from Nintendo. Palmer Aff. ¶¶ 6, 17-34; Exs. 2-2C, 13-34A.

18. Nintendo actively polices trade publications reviewing articles that deal with Donkey Kong, places in trade publications notices of its intention to enforce its property rights in Donkey Kong, and brings infringement lawsuits to protect these rights. Sch. Dep. at 49-94. See Nintendo Response and Supplemental Response to Interrogatory 22.

Origin and Development of King Kong

19. Universal claims to be the owner of all tradenames, trademarks, service marks and other rights in the name, character and story of King Kong created and developed by Merian C. Cooper prior to 1933 and produced and released as a motion picture under the name

King Kong by RKO Pictures, Inc. in 1933 and subsequently as a remake motion picture under that name by Dino DeLaurentiis Corporation ("DDL") in 1975. Complaint ¶ 6.

20. In 1932, Merian Cooper entered into an agreement with RKO pursuant to which RKO proceeded to make the 1933 movie King Kong. At various times during the next four and a half decades, RKO distributed its original movie; produced and licensed others to produce various King Kong sequel movies; and, licensed the name and character of King Kong for use in the advertising and sale of various consumer products and services. Complaint ¶¶ 6-11. RKO's exploitation of King Kong during this period was unsupervised and virtually unchallenged by any other party. Regan Dep. 168-171.

21. In 1975, DDL, under license from RKO, began production of the remake of King Kong, "Dino De Laurentiis' King Kong," which was released by Paramount in 1976. See Complaint ¶ 6; Universal Response to Second Interrogatory 9; Universal State Complaint: O'Neill Aff. Ex. 3.

History of Universal's Alleged Acquisition of Rights in King Kong

22. Universal claims that its rights in the trade name, trademark, servicemark and story of King Kong derive from the following documents arising from litigation commencing in 1975 between Universal, RKO, "DDL" and Richard Cooper in Universal City Studios, Inc. et al. v. RKO General, Inc., C.V. 75-3526-R (C.D. Cal. 1975) ("federal court action") and Universal City Studios, Inc. v. RKO

General, Inc., et al, C. 125-242 (Sup. Ct. Cal. 1975) ("state court action"):

1. Final Judgment for Damages on Cross-Complaint of Richard Cooper, dated January 5, 1981 ("Cooper Judgment");
2. Agreement of December 15, 1976 between Cooper and Universal ("Cooper Agreement");
3. Settlement Agreement and Release, dated June 4, 1980, between Universal and RKO ("RKO Agreement"); and
4. An assignment of causes of action by RKO to Universal, dated June 15, 1982.

Universal Response to First Interrogatory 1.

23. In May 1975, Universal brought suit in the California state court against RKO and DDLC for breach of contract and tortious interference with contractual relations. Universal State Complaint: O'Neill Aff. Ex. 3. Universal claimed that RKO breached its agreement, pursuant to which Universal was allegedly given a valid exclusive license for the remake rights to King Kong, by licensing DDLC to make the remake. The state court action initially resulted in summary judgment for RKO and DDLC; the judgment was reversed and remanded to the trial court where the action was ultimately settled. Id., Sheinberg Dep. 87-92.

24. In August 1975, Universal commenced production of its own King Kong movie, and in October 1975, commenced a declaratory judgment action in the California federal court against RKO, DDLC and Richard Cooper seeking a declaration, inter alia, that Universal had the right to make a new King Kong movie based on the King Kong story which had lapsed into the public domain because the copyright

registration had expired on a publication of the story in a novel and magazine serialization of the story which predated the publication of RKO's 1933 movie. Universal Federal Complaint: O'Neill Aff. Ex. 4.

25. On or about November 19, 1975, RKO answered Universal's complaint in the federal court action contending that its copyrighted motion picture was the original publication of the King Kong story and that its copyright on the entire story was therefore not affected by the other uncopyrighted publications which Universal contended had entered the public domain. RKO Answer: O'Neill Aff. Ex. 5. RKO counterclaimed alleging that Universal's unauthorized production of the remake infringed RKO's King Kong copyright and constituted unfair competition by, among other things, diluting RKO's rights in the title and character of King Kong. RKO Counterclaim: O'Neill Aff. Ex. 6.

26. On or about December 4, 1975, DDLC answered Universal's complaint and on or about December 19, 1975, counterclaimed, alleging, inter alia, that the name, character and story of King Kong had acquired a secondary meaning and that Universal's production constituted wrongful misappropriation and passing off. DDLC Answer and Counterclaim: O'Neill Aff. Exs. 8 and 9.

27. Universal replied to the counterclaims of RKO and DDLC by denying that the name, character and story of King Kong had any secondary meaning or that its production of a King Kong remake constituted a copyright infringement or unfair competition. Universal Reply: O'Neill Aff. Exs. 7 and 10.

28. On March 17, 1976, pursuant to a settlement reached between DDLC and Universal, the district court entered an order on stipulation between Universal and DDLC dismissing the counterclaim of DDLC with prejudice. Stipulated Order Dismissing Counterclaims of DDLC: O'Neill Aff. Ex. 11.

29. On or about May 19, 1976, defendant Richard Cooper answered Universal's complaint and crossclaimed against RKO, claiming, inter alia, that he was the successor to the exclusive rights in King Kong that had been owned by his father as the creator of King Kong, that his father had only contracted with RKO to allow RKO to make the 1933 King Kong photoplay, and that, because of this limited grant of rights in King Kong, all other commercial exploitations of the name, character and story of King Kong as portrayed in the 1933 movie which were undertaken by RKO since 1933 were for Cooper's account. Cooper Cross-Complaint, O'Neill Aff. Ex. 12.

30. The issue as to whether King Kong was a trademark was actively litigated by RKO and Universal in the federal court action:

(a) RKO proffered expert testimony on the alleged secondary meaning of King Kong and public confusion between RKO's King Kong and Universal's promotion of its remake of King Kong (See Excerpt of Record of Proceedings: O'Neill Aff. Ex. 13; Ex. 1 at 40-47; Ex. 2 at 76-78.);

(b) To establish lack of secondary meaning in King Kong Universal introduced substantial evidence to show that

any claimed mark in King Kong had been diluted by pervasive, unauthorized uses (See Excerpt of Record of Proceedings: O'Neill Aff. Ex. 13; Ex. 1 at 40-47; Ex. 2 at 76-78.); and

- (c) Mr. Kroft, counsel for Universal, argued before the federal district court for findings that King Kong could not be a trademark because of its dilution and usage in the English language, and that King Kong had no secondary meaning. (See Excerpt of Record of Proceedings: O'Neill Aff., Ex. 13; Ex. 1 at 40-47; Ex. 2 at 76-78).

31. On December 21, 1976, the district court ruled in favor of Universal, declaring, inter alia:

1. The story of King Kong as embodied in the novel and magazine serialization was in the public domain.
 2. Universal could use and exploit any and all elements of the story of King Kong which was in the public domain and any such use would not infringe on any rights of either Cooper or RKO.
 3. RKO would take nothing by reason of its counterclaim which was dismissed on the merits.
- Universal Judgment: O'Neill Aff. Ex. 14.

32. In connection with the entry of this judgment, the court made findings of fact and conclusions of law, including:

4. During the past 17 years, many literary properties, songs and phonograph record albums have been published and copyrighted by parties other than RKO in the United States using the name and title "King Kong." The name "King Kong" has also during such period been used by parties other than RKO in various printed cartoons and comic strips in the United States. There is no evidence that any of the afore-said uses of the name and title of "King Kong" were licensed by RKO.

5. There is no evidence that the title "King Kong" has a secondary meaning by which the public identifies such title with RKO or the Motion Picture.

6. The name "King Kong" has become part of the ordinary English language.

Universal Findings of Fact and Conclusions of Law: O'Neill Aff. Ex. 15.

33. The court also entered on December 21, 1976, an interlocutory judgment for Richard Cooper on his cross-complaint holding:

1. That as between Richard Cooper and RKO all rights to King Kong other than the right to the 1933 movie and the sequel "Son of Kong" are exclusively vested in Richard Cooper.

2. That RKO is a constructive trustee for Richard Cooper to the extent it has exercised rights to King Kong other than in the 1933 movie and "Son of Kong."

3. That Richard Cooper recover from RKO all profits earned from the licensing and use of King Kong (excluding the 1933 movie and "Son of Kong") from 1933 to the present.

4. That the judgment for Richard Cooper does not affect the finding of the court that the story is now in the public domain.

Cooper Interlocutory Judgment: O'Neill Aff. Ex. 16.

34. The court stated in the Findings of Fact and Conclusions of Law relating to its Final Judgment on the Cross-Complaint of Richard Cooper that (1) the Cooper Judgment did not affect the finding that the story was in the public domain, and (2) the findings of fact and conclusions of law underlying the Cooper judgment "declare the rights as between Richard Cooper and RKO and do not affect any other entity or person." Cooper Findings of Fact and Conclusions of Law: O'Neill Aff. Ex. 18.

35. On or about December 15, 1976, Cooper entered into an agreement with Universal which provided, inter alia, that for \$200,000 payable over three years, Cooper assigned to Universal whatever rights he might have in King Kong including all of his rights against RKO under the Cooper Judgment, reserving certain narrow rights (i.e. book publishing rights and the right to certain licensing revenues) in the King Kong property to the extent it was not in the public domain. Cooper Agreement: O'Neill Aff. Ex. 19.

36. RKO appealed to the Ninth Circuit from the final declaratory judgment, but, prior to any decision, entered into an agreement with Universal dated June 4, 1980 (the "RKO Agreement") which provided for: (1) mutual releases in the state and federal court actions; (2) RKO's agreement to pay Universal approximately 62.5% of all revenues to be realized by RKO pursuant to the licensing agreement with DDLIC for the 1975 King Kong remake; (3) RKO's agreement not to sue Universal if Universal were to proceed with its own King Kong remake; and (4) Universal's agreement to pay RKO a small percentage of any revenues derived from this remake. The RKO Agreement specifically stated that nothing in the Agreement permitted Universal to "duplicate or distribute in any medium verbatim copies or excerpts," of the 1933 movie on which RKO continued to hold a copyright. RKO Agreement: O'Neill Aff. Ex. 20 at ¶6. A side-agreement was also executed by Universal and RKO whereby a joint venture was established between them to make future motion pictures. Sheinberg Dep. 94-102; Dep. Ex. 56.

37. On or about October 8, 1980, the Ninth Circuit, upon being advised of the agreements between the parties, dismissed RKO's appeal, vacated the Cooper Judgment as well as the declaratory judgment for Universal, and remanded to the district court with instructions that the court should determine which actions between the parties were moot by reason of the various agreements and releases and should enter new judgments if appropriate. Remand Order: O'Neill Aff. Ex. 21.

38. The district court dismissed Universal's declaratory judgment complaint against RKO without prejudice and dismissed RKO's counterclaim with prejudice in a November 20, 1980 Order on stipulation (November 20, 1980 Order: O'Neill Aff. Ex. 22) and, in a January 5, 1981 Order, reinstated the judgment which had been entered for Richard Cooper on his Cross-Complaint against RKO, and dismissed Universal's Complaint against him without prejudice (January 5, 1981 Order: O'Neill Aff. Ex. 23).

39. By agreement dated June 15, 1982, RKO assigned to Universal any causes of action for violation of trademark laws and unfair competition it might have against Nintendo Co., Ltd. and Nintendo of America, Inc. with respect to Donkey Kong. O'Neill Aff. Ex. 24.

Others' Rights to King Kong

40. RKO is the exclusive owner of the 1933 movie "King Kong" and the sequel "Son of Kong" with the right to exhibit these movies, to duplicate or distribute in any medium verbatim copies or excerpts from these movies and to use or to license the use of stills and footage from these movies for various commercial purposes. See RKO Agreement: O'Neill Aff. Ex. 20, ¶ 6; Regan Dep. 70, 96-99.

41. DDLIC is the exclusive owner of the 1976 movie "King Kong" with the right to exhibit this movie or to duplicate or distribute in any medium verbatim copies or excerpts from this movie and to use or license the use of the stills or footage from this movie for various commercial purposes. See RKO Agreement: O'Neill Aff. Ex. 20, ¶ 9; Regan Dep. 116-118; Dep. Ex. 69.

42. Cooper is the owner of worldwide book publishing rights in King Kong, including the right to make, distribute or license novels, comic books or magazine articles using the name, character and story of King Kong. See Cooper Agreement: O'Neill Aff. Ex. 19, ¶ 3a; Regan Dep. 81-83.

43. There have been legends, myths and stories in various cultures over many centuries reflecting the themes of beauty and the beast and the theme of women and apes. Rovin Aff. ¶¶ 4-21.

44. There are innumerable published and commercial uses of the term "King Kong", and variations thereon, without any reference to the makers of the movie (Riggio Affidavit; Rovin Affidavit); numerous third party trademark registrations of the name "King Kong" or variations thereof (Lincoln Aff. ¶ 10); and numerous commercial uses of the character "King Kong," and graphic image "King Kong" or close facsimiles, without reference to the makers of the movie "King Kong" (Rovin Affidavit).

45. The Oxford English Dictionary defines King Kong as a common term used as a "nickname for anyone of outstanding size or strength" and as a slang term for "cheap alcohol." Oxford English Dictionary, Supplement Vol. 2, p. 511 (Oxford University Press 1976). Roget's Thesaurus identifies King Kong as a noun synonymous with terms such as monster, fiend, brute, etc. The Original Roget's Thesaurus, p. 93 (St. Martin's Press 1965; Dell 1966). The Dictionary of American Slang defines "King Kong" as "strong cheap whiskey or wine."

H. Wintworth & S.B. Flexner, The Dictionary of American Slang,
p. 305 (2d Supplemental ed. 1975).

Marketing of King Kong by Universal

46. Prior to this lawsuit, Universal itself had not used the King Kong name, character or story as a trademark or tradename in its own business endeavors. See Complaint; Universal Response to Third Interrogatory 6.

47. In December 1980, Universal entered into a King Kong license with Ben Cooper, Inc. for the manufacture and sale of costumes, from which it has derived revenues of approximately \$3,300. Universal Response to Third Interrogatory 6; Universal Response and Supplemental Response to First Interrogatory 7.

48. In July 1982, Universal placed a King Kong video game on the market through a licensing arrangement with Tiger Electronics Corporation which has netted Universal approximately \$39,000 in royalties. Universal Responses and Supplemental Responses to First Interrogatories 7 and 13.

49. In April 1983, Universal authorized Robert Keith & Company for a fee of \$1,000 to display a King Kong gorilla balloon on top of the Empire State Building in conjunction with the Building's 50th anniversary celebration of RKO's 1933 "King Kong" motion picture. Universal Response and Supplemental Response to First Interrogatory 7.

50. Universal has plans to include a King Kong exhibit in its Universal Tours attraction in California and its planned Universal Tours attraction in Florida. Sheinberg Dep. 55-66. Universal has some plans to produce an "Illegitimate Son of King Kong" movie which is to be a farce of the original "King Kong." Sheinberg Dep. 66-76; 163; 175-80; Dep. Ex. 37.

Universal's Efforts and Activities to Police King Kong

51. Prior to this lawsuit, Universal had no established program or procedure for identifying unauthorized uses of King Kong and had not brought any actions to stop allegedly infringing uses. Adler Dep. 98-99; Universal Response and Supplemental Response to Second Interrogatories 1 and 2.

52. In January 1983, Universal informed Hovnanian Enterprises ("Hovnanian") of its belief that Hovnanian was using the King Kong character in its real estate advertisements. Hovnanian agreed to stop using the character. Other than its challenge to Nintendo's Donkey Kong products, this is the only action Universal has taken to stop allegedly infringing uses of King Kong. Universal's Supplemental Response to Second Interrogatories 1 and 2.

53. Universal has taken no action against Nintendo with respect to its video arcade game Donkey Kong Junior. See Complaint; Universal Response to Second Interrogatory 2.

Universal's Allegations of Infringement

54. Universal contends that Nintendo's Donkey Kong video arcade game infringes on its rights in the name, character and story of King Kong. Complaint ¶¶ 15, 20.

55. Universal contends that "apart from their names, the elements which make defendants' 'Donkey Kong' gorilla similar to Universal's King Kong gorilla are obvious from the pictorial representations of the two gorilla characters" which can be seen by "reviewing (a) the 'Donkey Kong' video arcade game and (b) comparing that game with (i) pictures taken from RKO's motion picture 'King Kong' released in 1933 or Dino DeLaurentiis' remake of that picture released in 1976 and (ii) advertising and promotional materials for these motion pictures." Universal Response to Second Interrogatory 10. Universal contends that the "'Donkey Kong' gorilla standing at the top of a large building with a female heroine at his side" as depicted on the screen of the video arcade game is similar to the visual image of "'King Kong' on top of a large building, as depicted, [in the 1933 and 1976 movies]". Universal Responses to Second Interrogatories 11 and 12. See Universal Response to Third Interrogatory 5.

56. This comparison can be made by reviewing photographs of the Nintendo Donkey Kong game cabinetry, Nintendo brochures for the Donkey Kong game, photographs of the Donkey Kong game play, the Nintendo Donkey Kong arcade game, photographs of Nintendo licensed products, and stills and promotional materials from the 1933 and 1976

King Kong movies. Palmer Aff. ¶ 4; Universal Responses to Second Interrogatories No. 10, 11, 12; Universal Responses to Third Interrogatory 5.

57. To date, there have been no reported incidents of actual consumer confusion between King Kong and Donkey Kong. Universal Response to First Interrogatory 32; Nintendo Response to Interrogatory 12.

Universal's Challenges to Nintendo and its Licensees

58. On April 28, 1982, Universal sent telexes to Nintendo and its Donkey Kong licensee, Coleco Industries, Inc. ("Coleco"), asserting that Universal was the exclusive owner of all rights in King Kong (except book publishing rights), demanding, inter alia, an accounting for all profits from the sale and distribution of Donkey Kong, and threatening legal action wherein Universal would seek "restraining orders, injunctions and damages." See Hadl Dep. 88-91; Dep. Ex. 9.

59. Coleco advised Universal that it believed Universal's claim to be without merit. Nonetheless, the threat of litigation jeopardized Coleco's marketing plans for Donkey Kong and Coleco's corporate future. To remove the threat of potential litigation, Coleco entered into an agreement with Universal whereby Universal receives a three percent royalty from Coleco on sales of Donkey Kong products in exchange for a covenant from Universal not to sue Coleco. In addition Coleco and Universal reached an understanding which provides that as part of the consideration for the three percent royalty, Universal would not seek a preliminary injunction or take any other

immediate action against Nintendo or anyone else which might adversely affect Coleco's marketing and distribution of Donkey Kong. Hadl Dep. 110; Dep. Ex. D-10; Greenberg Affidavit; Schwefel Affidavit.

60. Universal does not control or supervise Coleco's exploitation of Donkey Kong. Coleco's Donkey Kong products do not acknowledge any claim of right by Universal. Greenberg Affidavit; Schwefel Affidavit; Sheinberg Dep. Ex. D-35.

61. Universal has received more than \$3.5 million in royalties from Coleco which has distributed over \$179 million in Donkey Kong products nationwide. Greenberg Aff. ¶¶ 16 and 17.

62. In January 1983, Universal sent letters to Nintendo's other licensees demanding, inter alia, that the licensees either desist from marketing Donkey Kong products or obtain a license from Universal for use of the Donkey Kong trademark. Sheinberg Dep. Ex. 59.

63. In January 1983, Atari Inc. ("Atari"), a licensee of Nintendo for home computer games, agreed to pay a three percent royalty to Universal on sales of Donkey Kong products in exchange for a covenant not to sue. Paul Aff. Ex. A. Atari was compelled to enter into this agreement because Atari's parent, Warner Communications, Inc., determined that a failure to come to an agreement with respect to Donkey Kong would threaten its joint ventures and other business relationships with Universal. Paul Aff. ¶ 6.

64. Universal does not supervise or control Atari's exploitation of Donkey Kong. The Atari Donkey Kong products will not acknowledge any claim of rights in Universal. Paul Aff. ¶ 8; Ex. A.

65. Ruby Spears Inc., a licensee of Nintendo for the production of Donkey Kong television programs, agreed to pay a royalty to Universal in exchange for a covenant not to sue. Universal was also given the right to distribute the Donkey Kong programs produced off-network throughout the world in all media and forms including but not limited to pay television, cable television, video discs and/or cassettes. Lincoln Aff. ¶ 17.

66. Universal does not have control over the content or quality of Ruby-Spears' productions. The television credits will not refer to any alleged trademark rights of Universal. Nintendo maintains its exclusive control over the productions and is to be featured prominently in the credits. Lincoln Aff. ¶ 17.

Dated: New York, New York
May 10, 1983

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